



NATIONAL SECURITY AGENCY
CENTRAL SECURITY SERVICE
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The Honorable Joseph P. Addabbo
Chairman
Subcommittee on Defense
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

(FOUO) I am writing you concerning the Conference Report on the Department of Defense, Appropriations Bill, 1984. A portion of the cited report deals with the acquisition of Automated Data Processing Equipment (ADPE) and sets out restrictions on the lease--lease with option to purchase, or installment purchase methods of ADPE acquisition as well as requirements to buy-out existing leases. Requirements are also established to conduct all new acquisitions on a purchase-only basis through open competition with provisions for very limited exceptions which must be reported to the Committee. The classified annex to the report extends these provisions to the Intelligence Community, subject to a note that NSA's ADPE acquisitions may not fall into the categories to be covered by the restrictions. The Director of Central Intelligence (DCI) is directed to study the matter, report to your Committee by 1 July 1984, and to program a buy-out fund similar to that established in Defense Logistics Agency for DoD.

(C) This policy, if applied to NSA, would have serious consequences on NSA's ability to perform its cryptologic missions.

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I can assure you that cryptologic ADPE acquisitions are already subject to policies and procedures that address the concerns raised in the report. NSA needs the flexibility currently available to meet its unique cryptologic needs. The proposed policies would severely limit that flexibility in this context. I would note that Congress, in the past, has been supportive by enacting more than one statutory exemption, applicable to cryptologic ADPE acquisitions, designed to provide the needed flexibility. This flexibility permitted NSA to carry out its cryptologic missions using the most advanced ADPE available from U.S. manufacturers and to acquire such ADPE in the most expeditious manner possible.

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Declassify on Originating Agency's Determination Required

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(C) NSA purchases or leases domestic commercial ADPE to meet most of its needs. Such ADPE generally does not fit either the categories of general-purpose or embedded systems, but rather is integrated into the cryptologic production processes. Sufficient flexibility is needed to constantly upgrade or replace such systems in order to take advantage of new developments, increased capabilities (and to encourage such developments or increases), or to meet changes in the target environment or technological threats in the cryptographic environment. While we do plan and program major ADPE systems acquisitions, and make these visible in the Congressional Budget Justification Book, to include the planned acquisition method, we must have the flexibility to take advantage of changes in the marketplace. This flexibility has often permitted us to make major upgrades in existing systems at especially advantageous prices or to replace systems that have become extremely expensive to maintain because of the elimination of vendor or major supplier maintenance vendor support.

(C) Likewise, this flexibility has permitted us to support vendors who are developing unique products of special application to cryptologic problems. This flexibility has been a key element in NSA's ability to obtain the computing power necessary to cope with increasingly complex technological challenges and continue to produce required intelligence information or protection. It has also been a key element in our ability to support a domestic, industrial production capability, particularly in the supercomputer area, and avoid having to use foreign suppliers of such technology. We believe the loss of this flexibility would adversely affect our ability to intervene in the marketplace to support new, U.S. computer developments. My senior ADP managers already have encountered concerns about the proposed policy from a U.S. computer manufacturer during a recent advanced technology trip. One manufacturer also noted that they had already conceded the large-scale computer market to the Japanese because the manufacturer simply could not compete, and could not depend on sufficient support from the U.S. Government to warrant continued large computer development and manufacturing efforts on their part. We currently have efforts underway to attempt to keep several U.S. manufacturers in the supercomputer business and virtually all of these efforts involve the use of lease with option to purchase contracts. We simply could not react fast enough if we were required to pursue such efforts solely on a purchase basis. Incidentally, if we were required to purchase such equipments, we would be unable to negotiate favorable replacement terms such as those we are now able to do under lease with option to purchase. Under existing procedures, we are generally able to bring in early developmental models, gain experience, and then have those models replaced with more reliable production models at no or little additional cost to the government. Such terms are not limited to large computer equipments, but are often available for a wide range of systems and peripherals. Such flexibility is important to us

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in meeting our immediate challenges and in influencing the domestic industry.

(U) I previously wrote a memorandum to the DCI and the Deputy Secretary of Defense detailing our concerns and soliciting their assistance in removing the requirement to study and possibly apply the provisions to cryptologic ADPE acquisitions. The DCI noted our concerns in a general way in his 7 November 1983 letter to you addressing major concerns of his with respect to proposed appropriations actions. His letter contained a recommendation for exemption from the proposed ADPE policy study and report. In addition, the Secretary of Defense provided a DoD position paper to the Senate - House Conferees which supported the DCI recommendation and again noted general concerns with respect to this proposed action. However, these responses did not focus specifically on the unique needs of the cryptologic missions nor did they reflect an appreciation for the magnitude of the Cryptologic requirements. I believe the cryptologic situation is unique in terms of magnitude, timeliness, and influence on the industry as well as multi-program impacts (Combined Cryptologic Program, Communications Security Resources Program, Computer Security Program).

(FOUO) In reviewing the final classified report of the Conference as well as the unclassified report, I have concluded that any implementation of the changes discussed in the Committee's report would markedly change relationships concerning ADPE acquisitions, establish restraints that would adversely affect our current ability to acquire advanced ADP technology, provide disincentives to the U.S. marketplace to develop and produce the technology we need, and would have an unintended effect on our ability to do complex cryptologic processing needed to maintain our current capabilities. In addition, the policy affects the entire range of cryptologic missions for which I am responsible and, while I do not wish to prejudice the efforts of others to respond to the classified annex requirement, I believe, because the cryptologic case is unique, that it warrants separate consideration. I would also note that portions of the cryptologic mission may be affected by the unclassified DoD Conference Report vice the classified annex. For these reasons, I am requesting that you grant NSA an exemption from the requirement to participate in the study required by the classified annex and from the policy set out in the Conference Report. This action is needed now in order to allow NSA to pursue its acquisition plans and to remove confusion in the marketplace concerning the proposed policy.

Sincerely,



LINCOLN D. FAURER
Lieutenant General, USAF
Director, NSA/Chief, CSS

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Copies Furnished:

Director of Central Intelligence ←

Deputy Secretary of Defense

**The Honorable Ted Stevens, Chairman, Subcommittee on Defense,
Committee on Appropriations, United States Senate**